



California Business, Transportation & Housing Agency

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## California International Trade and Investment Strategy

*Pursuant to the California International Trade and Investment Act of 2006  
(Senate Bill 1513) enacted as Government Code Title 2, Division 3, Part 4.7,  
Chapter 2.5, Section 13996.55*

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This International Trade and Investment Strategy was prepared pursuant to the California International Trade and Investment Act of 2006 (Senate Bill 1513), enacted as Government Code Title 2, Division 3, Part 4.7, Chapter 2.5, Section 13996.55. The Act states that this Strategy include: policy goals, objectives and recommendations necessary to implement an international trade and investment program; measurable outcomes and timelines; impediments for achieving goals and objectives; identification of key stakeholder partnerships; funding options; and, an organizational structure for administration of policies, programs and services.

The Act additionally states that this Strategy be developed in consultation with the California Economic Strategy Panel and other agencies, boards and commissions that have statutory responsibilities related to workforce development, infrastructure, business, and international trade and investment. This Strategy shall be reviewed in at least one public hearing by the relevant policy and fiscal committees of each house of the Legislature within 60 days of submission; the Secretary of the Business, Transportation, and Housing Agency (BT&H) may then modify this Strategy based on committee recommendations. This Strategy shall be updated, pursuant to the specifications outlined in the Act, at least once every five years.

## Introduction and Overview

California, one of the largest economies in the world, is an ideal competitor in an increasingly interdependent global marketplace. Foreign trade and investment are key to California's economic strength, and thus their enhancement and promotion is integral to the state's economy. Small and medium sized businesses account for the bulk (95% of exporting companies in 2005) of California exporters, and are most likely to benefit from the leverage that a government entity can offer in foreign markets.

The overarching policy identified in this International Trade and Investment Strategy is to increase jobs by promoting the export of California products and services, while also promoting foreign direct investment. In order to achieve this policy goal, five primary objectives have been identified: (1) Leverage existing services to provide export assistance to companies in prioritized industry clusters, (2) Develop a foreign direct investment program, (3) Promote and leverage the California brand, (4) Monitor and engage the federal government in regards to U.S. trade policy, and (5) Integrate international trade and investment into the state's overall economic development strategy. This Strategy outlines a series of actions needed to move California closer to achieving these objectives and the overall policy. Many of these actions fit under multiple objectives below; however, each is grouped in the most relevant area.

This Strategy recommends prioritizing certain industry clusters in order to focus the State's limited resources on supporting and promoting those areas that are both foundational to the California economy, and demonstrate the greatest potential for export growth. While some objectives and actions will focus on these prioritized industry clusters, services will be available to *all* California companies. Industry clusters will be identified using the "Industry Clusters of Opportunity" methodology developed by the California Economic Strategy Panel. This process will include two components that will be implemented to the fullest extent possible with available resources.

The first component will identify priority industry clusters for export. The *California Regional Economies Employment (CREE) Series*, which is the non-confidential version of the official employment and wage information reported by employers, is one primary data source. This information will be compared with export data by industry from the U.S. Department of Commerce. The second component is qualitative, and will identify small and medium size businesses within a priority industry cluster. The process will gather information regarding export opportunities and constraints in the global market. In addition, upon identifying priority industry clusters, BT&H will then work with the U.S. Department of Commerce to consider the effects of foreign markets and global competition on determined clusters.

This Strategy lays out an initial blueprint designed to leverage and enhance existing benefits provided by federal and local entities. Given current fiscal restraints, it is a document that presents a purposeful step forward rather than a broad plan for expanding the State's bureaucracy. By focusing on existing services and resources the State avoids the potentially significant impediment of inadequate funding. The emphasis on partnerships and collaborations also allows the State to act more quickly and efficiently than creating a new structure.

Finally, while infrastructure is not an individual component of the Strategy, it should be considered during discussions regarding trade expansion. The potential constraints on trade created by inadequate transportation infrastructure could reduce the efficiency and competitiveness of California as a trade partner (e.g., transportation delays of perishable agricultural products make them unmarketable). This challenge must also be addressed as part of the overall trade expansion strategy.

## Policy

To increase jobs by promoting the export of California products and services; while also promoting foreign direct investment.

## Objectives and Actions

In order to achieve the above stated policy, the following objectives will be pursued:

1. Leverage existing services to provide export assistance to companies in prioritized industry clusters.
2. Develop a foreign direct investment program.
3. Promote and leverage the California brand.
4. Monitor and engage the federal government in regards to U.S. Trade Policy.
5. Integrate international trade and investment into the State's overall economic development strategy.

### **OBJECTIVE 1:            *LEVERAGE EXISTING SERVICES TO PROVIDE EXPORT ASSISTANCE TO COMPANIES IN PRIORITIZED INDUSTRY CLUSTERS***

In order to provide export assistance to companies, existing services should be leveraged in a manner that fulfills the needs of California's small and medium enterprises. Expanding the existing California Trade Partnership, developing an agreement with the California Community College system's Center's for International Trade Development, and utilizing U.S. Commercial Service export services are all actions that will enable this objective. Regardless of prioritized industry clusters, trade promotion services will be available to *all* California companies.

**Action 1:** Expand the California Trade Partnership to improve coordination with external partners.

- a. Coordinate at minimum one event annually, focused on increasing exports in prioritized industries or countries.
- b. Expand and diversify the Partnership by developing a new set of membership criteria.
- c. Create a Partnership committee structure with distinct teams focusing on export services, investment, and policy.
- d. Develop an annual report on international trade and investment trends.
- e. Develop a directory of subject matter experts in recognized partner organizations to address the need for industry and country expertise in prioritized areas.

**PRIORITY LEVEL:** *I*

**TIMELINE:** *Begin – 1<sup>st</sup> quarter 2008, Complete – 1<sup>st</sup> quarter 2009*

**MEASURABLE OUTCOMES:** *Number of events held, number of businesses served at events, and number of new Partnership members. Inventory of whether or not committee structure, new membership criteria and international trade and investment trends report are completed.*

**Action 2:** Draft and implement an agreement between the California Business, Transportation and Housing Agency (BT&H) and the California Community College system's Centers for International Trade Development (CITD's) that focuses on implementing the following actions geared, when appropriate, to prioritized industry clusters:

- a. Facilitate international promotions such as; trade shows, international business matchmaking (inbound and outbound), and other targeted international business promotions.

- b. Provide export and import training and consultations to assist California companies in becoming more globally competitive.
- c. Attract foreign students by working with the University of California, the California State University, the California Community Colleges and private education service providers.
- d. Collaborate on relevant federal, state, and local grant applications.
- e. Generate a comprehensive set of export development services, including online international business resources.
- f. Provide BT&H with information and statistics to assist in the development of an annual report on international trade and investment trends.

**PRIORITY LEVEL:** I

**TIMELINE:** *Begin – 1<sup>st</sup> quarter 2008, Complete – 3<sup>rd</sup> quarter 2008 [agreement], Ongoing [implementation]*

**MEASURABLE OUTCOMES:** *Increase in number of companies assisted, number of grants applied for, and amount of grant monies received.*

**Action 3:** Work with U.S. Department of Commerce Foreign Commercial Service and Export Assistance Centers to promote focused export services to companies in prioritized sectors, including access to overseas offices and domestic subject matter experts.

- a. Incorporate appropriate U.S. Department of Commerce activities into all state sponsored trade missions, trade shows, and other activities.
- b. Promote U.S. Department of Commerce events and services via the BT&H International Trade webpage and other venues as appropriate.
- c. Direct California companies encountering cross-border trade and investment barriers to the appropriate U.S. Department of Commerce Office.

**PRIORITY LEVEL:** II

**TIMELINE:** *Begin – 3<sup>rd</sup> quarter, 2008 Complete – Ongoing*

**MEASURABLE OUTCOMES:** *Increase in the number of California companies receiving services, increase in California companies exporting goods, and number of California companies participating in U.S. Department of Commerce activities during state sponsored events.*

## **OBJECTIVE 2:            *DEVELOP A FOREIGN DIRECT INVESTMENT PROGRAM***

While the federal government has programs to support foreign direct investment (FDI) broadly to the U.S., attracting investment specifically to California is a task the State must do without federal support. FDI is critically important to the California economy, and deserves a state-level response and dedicated activities distinct from trade promotion. The State should prioritize Greenfield investment by foreign individuals and companies, bringing new operational facilities and creating new jobs. In order to attract this type of FDI, California should develop an investment attraction strategy, and information should be provided to incoming foreign delegations and consider relocating the California Business Investment Services (CalBIS) to BT&H.

**Action 1:** Consider relocating the California Business Investment Services (CalBIS) from the California Labor and Workforce Development Agency to the California Business, Transportation and Housing Agency in order to better coordinate California's investment services and integrate them into the State's overarching economic development strategy.

**PRIORITY LEVEL:** I

**TIMELINE:** *Begin – 1<sup>st</sup> quarter 2008, Complete – 1<sup>st</sup> quarter 2009*

**MEASURABLE OUTCOMES:** *Specific measurable outcomes related to foreign investment will be established once CalBIS becomes part of BT&H.*

**Action 2:** Pursue an investment attraction strategy focusing on core and emerging California industry clusters, and on leveraging assets such as research institutions.

- a. Work with BT&H's Deputy Secretary for Economic Development, CalBIS, the University of California, the Centers for International Trade Development, and the California Trade Partnership to develop strategy.

**PRIORITY LEVEL:** II

**TIMELINE:** Begin – 3<sup>rd</sup> quarter 2008, Complete – 3<sup>rd</sup> quarter 2009

**MEASURABLE OUTCOMES:** Specific measurable outcomes related to foreign investment will be developed during writing of investment strategy.

**Action 3:** Host incoming foreign delegations in order to promote California products and services, encourage foreign investment, and expand cultural and educational ties.

- a. Emphasize investment attraction during future Governor or Secretary led trade missions.
- b. Conduct one inbound, or reverse, trade mission per year, where business leaders from other countries are brought to California in order to demonstrate the network of foreign investment resources available.

**PRIORITY LEVEL:** III

**TIMELINE:** Begin – 1<sup>st</sup> quarter 2009, Complete – 3<sup>rd</sup> quarter 2009 [in bound mission], Ongoing [other actions]

**MEASURABLE OUTCOMES:** Number of inbound trade missions hosted, quality of inbound trade missions measured via participant surveys.

### **OBJECTIVE 3: PROMOTE AND LEVERAGE THE CALIFORNIA BRAND**

California is a name brand identifiable worldwide. Promoting the California brand is an integral component to helping California companies expand their global business development. It gives enterprises an advantage in the world marketplace as they are immediately associated with the quality, innovation, and lifestyle of California. In order to promote and leverage the California brand BT&H will work with the California Travel and Tourism Commission and the California Department of Food and Agriculture to plan trade missions and trade shows, as well as the development of a prominent web presence.

**Action 1:** Conduct trade missions to promote California products and services in prioritized industries, encourage foreign investment, and expand cultural and educational ties in a manner that leverages California icons, lifestyle and business strengths.

- a. Develop a recruitment and promotion plan focused on attracting small and medium businesses in prioritized industry clusters.
- b. Integrate a foreign investment component by hosting investment focused meetings and events in destination countries.
- c. Promote exports by incorporating events such as: briefings from U.S. Embassy Commercial staff; industry specific roundtables and breakout sessions; events with business leaders; and, connection to U.S. Department of Commerce matchmaking and other services.

**PRIORITY LEVEL:** II

**TIMELINE:** Begin – 3<sup>rd</sup> quarter 2008, Complete – Ongoing

**MEASURABLE OUTCOMES:** Number of companies participating, amount of follow up with each trade mission participant, business deals created or closed, and participant satisfaction measured via survey.

**Action 2:** Participate in trade shows in identified industries to explore new markets, strengthen business relationships, and strategically market California.

- a. Identify key trade shows where California should have a presence.
- b. Develop a recruitment plan focused on attracting small and medium businesses and diversifying participating companies.
- c. Host California specific events on-site by working with CITD's and other partners.

**PRIORITY LEVEL:** II

**TIMELINE:** Begin – 3<sup>rd</sup> quarter 2008, Complete – 2<sup>nd</sup> quarter 2009 [1<sup>st</sup> show] 4<sup>th</sup> quarter 2009 [2<sup>nd</sup> show]

**MEASURABLE OUTCOMES:** Number of California companies participating and quality of participant experience measured via survey.

**Action 3:** Establish a prominent web presence as a link between state services, domestic and overseas partners, client companies, and the media. Website to include:

- a. Increased visibility and recognition of existing California branding efforts by coordinating with the California Travel and Tourism Commission and the California Department of Food and Agriculture.
- b. Resource materials for California businesses interested in increasing exports.
- c. Directory of subject matter experts in partner organizations.
- d. California Trade Partnership information.
- e. State wide events calendar.
- f. News alerts related to international trade and investment events and activities.
- g. Information and resources related to foreign investment.

**PRIORITY LEVEL:** II

**TIMELINE:** Begin – 3<sup>rd</sup> quarter 2008, Complete – 3<sup>rd</sup> quarter 2009 [website], Ongoing [others]

**MEASURABLE OUTCOMES:** Number of visits to website before and after updating.

**OBJECTIVE 4:                    MONITOR AND ENGAGE THE FEDERAL GOVERNMENT WITH REGARD TO U.S. TRADE POLICY**

The interests of the State and the business community are directly affected by international trade negotiations at the federal level. In order to better monitor and engage the federal government in regards to trade policy, BT&H will advance California's interests in international trade policies with the U.S. Trade Representative, engage the California Chamber as an advisory body, and join the State International Development Organizations.

**Action 1:** Actively monitor and articulate California's interests in international trade policies.

- a. Participate in the Office of the United States Trade Representative Intergovernmental Policy Advisory Committee. (IGPAC) in order to engage the federal government with regard to trade policy and trade agreements.
- b. Work with the Governor's Washington D.C. Office in order to monitor, advocate and increase California's presence at the federal level.

**PRIORITY LEVEL:** I

**TIMELINE:** Begin – 1<sup>st</sup> quarter 2008, Complete – Ongoing

**MEASURABLE OUTCOMES:** Traditional measures do not apply here.

**Action 2:** Engage the California Chamber of Commerce's Council for International Trade as an advisory body on trade and investment policy.

- a. Attendance by the Undersecretary for International Trade at Council for International Trade Committee meetings and consultation with members on issues related to trade policy will occur when appropriate.
- b. Informal communication between the Undersecretary for International Trade and Council for International Trade members will also take place when appropriate.

**PRIORITY LEVEL:** II

**TIMELINE:** Begin – 3<sup>rd</sup> quarter 2008 Complete – Ongoing

**MEASURABLE OUTCOMES:** Traditional measures do not apply here.

**Action 3:** Join the State International Development Organizations (SIDO), the only national organization focused exclusively on state international trade development. SIDO allows California to:

- a. Share best practices with other member states and international trade officers.
- b. Collaborate on regional trade events.
- c. Participate in joint advocacy programs with state and federal governments.

**PRIORITY LEVEL:** III

**TIMELINE:** Begin – 1<sup>st</sup> quarter 2009, Complete – 4<sup>th</sup> quarter 2009, Ongoing

**MEASURABLE OUTCOMES:** Traditional measures do not apply here.

**OBJECTIVE 5:                    *INTEGRATE INTERNATIONAL TRADE AND INVESTMENT INTO THE STATE'S OVERALL ECONOMIC DEVELOPMENT STRATEGY***

Economic development strategy in the State should be comprehensive and implemented across programs and agencies. Specifically, international trade and investment programs should not be siloed, but rather directly linked to the State's broader economic development strategy and mechanisms. In order to move in this direction BT&H has identified two priority actions; adding an international trade and investment component to the California Economic Development Partnership, and developing a coordinating committee to increase communication across agencies at the staff level.

**Action 1:** Add international trade discussions into the California Economic Development Partnership. The California Economic Development Partnership is a collaboration between the Agency Secretary's of the California of Labor and Workforce Development Agency (CLWDA, the California Department of Food and Agriculture (CDFA) and the Business, Transportation, and Housing Agency (BT&H).

**PRIORITY LEVEL:** I

**TIMELINE:** Begin – 1<sup>st</sup> quarter 2008, Complete – Ongoing

**MEASURABLE OUTCOMES:** Traditional measures do not apply here.

**Action 2:** Establish an intra-governmental coordinating body modeled on the federal government's Trade Policy Coordinating Committee (TPCC) and chaired by the Undersecretary for International Trade, to facilitate coordination at the staff level between state agencies with trade and investment-related responsibilities.

- a. Trade Policy Coordinating Committee (TPCC) shall include, but not be limited to, representatives from the following State entities: the California Department of Food and Agriculture, the California Travel and Tourism Commission, the Labor and Workforce Development Agency, and the California Energy Commission.



*PRIORITY LEVEL: I*

*TIMELINE: Begin – 1<sup>st</sup> quarter 2008, Complete – Ongoing*

*MEASURABLE OUTCOMES: Traditional measures do not apply here.*

*\*Measurable outcomes are listed for those activities and objectives where a performance measure is readily quantifiable and appropriate. However, many of the recommendations in this International Trade and Investment Strategy are not quantifiable in a manner that allows for accurate evaluation of activity effectiveness. For recommendations without performance measures, BT&H will continue searching for reasonable measures throughout the implementation process, and integrate findings into existing practices and updated versions of this Strategy.*



In order to implement the policy, objectives, and actions outlined within this Strategy several factors must be taken into account. The International Trade and Investment Act specifies that this Strategy include, in addition to the above: identification of key stakeholder partnerships; funding options; impediments for achieving goals and objectives; and, an organizational structure for administration of policies, programs and services. These sections are addressed throughout the remainder of this Strategy.

## Stakeholders

No one organization can meet the State's international trade and investment needs alone, whether state, federal, non-governmental or private. Thus, systematic collaboration is necessary in order to accomplish the objectives outlined in this Strategy. Mobilizing the extensive network of stakeholders outlined below, as well as others, into a more cohesive partnership is essential to continuing the necessary collaborative process. Partners include, but are not limited to:

**California Department of Food and Agriculture (CDFA):** The CDFA provides a variety of trade services to assist California companies in exporting agricultural products. Services include: market information; trade policy advocacy; export documentation; training and education; marketing activities; and, promotional funding to California companies.

**California Travel and Tourism Commission (CTTC):** The CTTC focuses on international and new market development. The CTTC is working to introduce the California brand to far-reaching audiences and establish strategic alliances with trusted in-market brands.

**California Energy Commission (CEC):** The California Energy Commission's Energy Technology Export Program helps innovative California companies export their technologies, products, and services to international energy markets. Through the Global Energy Connection, the Export Program provides a clearing house of energy-related events, explains business and financing opportunities, and offers a searchable directory of California-based energy companies.

**California Environmental Protection Agency (CalEPA):** CalEPA works to restore, protect and enhance the environment, and to ensure public health, environmental quality and economic vitality. Given the global nature of environmental issues and the potential economic impact of environmental technologies, the CalEPA is a key stakeholder in international trade and investment development.

**California Labor and Workforce Development Agency (LWDA):** LWDA coordinates workforce programs with two primary goals of improving access to employment and training programs, and ensuring that California businesses and workers have a level playing field in which to compete and prosper.

**University of California (UC):** The University's fundamental missions are teaching, research and public service. Through their academic programs, UC helps create an educated workforce that helps keep the California economy competitive. The UC's research programs also yield a multitude of benefits for California: including generating billions of tax dollars by helping the economy grow through the creation of new products, technologies, jobs, companies and even industries.

**Centers for International Trade Development (CITDs):** CITD's are strategically located throughout the State, and staffed with experienced multi-lingual experts. The CITD's assist importers, exporters, start-up companies, as well as established traders, regardless of product or country of interest. There are fourteen CITDs throughout the State.

**U.S. Department of Commerce:** The U.S. Department of Commerce has a network of export and industry specialists located in more than 100 U.S. cities and over 80 countries worldwide. These trade professionals provide counseling, and a variety of products and services to assist small and mid-sized businesses export their products. There are 15 U.S. Department of Commerce, Foreign Commercial Service Export Assistance Centers in California.

**U.S. Small Business Administration, U.S. Export Import Bank, and U.S. Bureau of Industry and Security:** Specialized federal agencies, all with California offices, that can assist with export financing and U.S. export controls.

**Chambers of Commerce:** Membership organizations that provide advocacy at the state and federal level to ensure fair legislation and a pro-business climate. Provide a full range of products and services to assist business domestically and internationally.

**Trade and Industry Associations:** Individuals and companies in specific businesses or industries are valuable source of information, and excellent potential partners for a multitude of international trade and investment promotion activities.

**World Trade Centers:** Membership organization focused on facilitating trade and business activity by bringing together business leaders from around the world. Provide services such as international business training, global matchmaking, and customized consulting.

**California Commission for Jobs and Economic Growth:** The Commission works side-by-side with state and local government, business associations, unions, educational institutions and California's network of regional and local Economic Development Corporations (EDCs) to: identify, illustrate and suggest ways to remove barriers to increasing employment and doing business in California; identify and assist employers interested in expanding in California or at risk of leaving the State; and, help market California products, services and destinations to national and international audiences.

## Funding

The current budget shortfall calls for a prudent Strategy that postpones significant program expansion. This is consistent with the International Trade and Investment Study which calls for the development of a program plan and funding structure for recommendation to the Legislature for FY 2009-2014. This Strategy focuses on an attainable goal within the context of current resources, thus there are few impediments to achieving stated objectives. The only identifiable impediment that could delay implementation of the Strategy objectives would be a significant loss of funding to one or more state partners.

## Organizational Structure

The International Trade and Investment Study recommended that an experienced small core staff within BT&H be developed to coordinate and integrate other service providers, and provide direct services in strategic areas. However, the current budget calls for maintaining existing funding levels. Thus, the current structure will remain in place until this Strategy can be reevaluated in preparation for FY 2009-2010. Current international trade and investment staff structure consists of three individuals; an Undersecretary for International Trade, an Assistant Secretary for International Trade, and a program analyst.

## Conclusion

The cumulative effect of increasing international trade strains our infrastructure, especially transportation infrastructure. Unless goods movement infrastructure and investment keeps pace with trade expansion, the lack of infrastructure itself will serve to limit expansion opportunities. Thus, the State's trade and investment activities should be discussed in the full context of broader economic development goals and infrastructure development.

The International Trade and Investment Act requires that this Strategy to be updated at least once every five years, and the International Trade and Investment Study recommends that this Strategy be updated every two years. However, BT&H will reevaluate the objectives and actions outlined within this document in time to make appropriate recommendations for budget allocations in FY 2009-2010. In conjunction with any reevaluation of this Strategy, BT&H shall also reevaluate the identified priority industry clusters.